

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

_____)	
FM HOLDINGS, LLC f/k/a)	
FORWARDMARKET, LLC,)	
)	
Plaintiff,)	
)	Civ. No. 05-11400-MLW
v.)	
)	
BILL MAHONEY and)	
STEPHEN GREGORIO,)	
)	
Defendants.)	
_____)	

**DEFENDANTS' REPORT ON SETTLEMENT DISCUSSIONS
PURSUANT TO OCTOBER 10, 2006 ENDORSEMENT**

Pursuant to this Court's June 2, 2006 Scheduling Order, the parties were required to submit a statement on settlement status by September 30, 2006. On September 29, 2006 the parties filed a Joint Statement indicating that the parties would report back to this Court on November 15, 2006 on the status of settlement talks after the depositions of three key witnesses had occurred. This Court endorsed the Joint Statement on October 10, 2006. In accordance with this Court's Endorsement of October 10, 2006, the defendants hereby submit the following Report on Settlement Discussions:

Plaintiffs have made a settlement demand, which defendants have rejected. Defendants are considering whether or not to make a counter-offer. The depositions of three of the key witnesses in the case -- Kevin Swenke, Stephen Gregorio and William Mahoney -- have been taken over the last four weeks. Discovery and depositions are ongoing, and experts reports will be submitted

beginning in December. The parties have not yet been able to settle the case and at this point are not prepared to proceed with ADR. The parties have agreed to keep an open dialogue concerning settlement, and will report further to this Court as necessary.

Dated: November 15, 2006

Defendants Bill Mahoney and
Stephen Gregorio
By their attorneys

/s/ Matthew M. Lyons
Timothy C. Blank (BBO #548670)
Michael Shin (BBO #658134)
Matthew M. Lyons (BBO #5657685)
Dechert LLP
200 Clarendon Street, 27th Floor
Boston, MA, 02116
(617) 728-7100

CERTIFICATE OF SERVICE

I, Matthew M. Lyons, hereby certify that this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF) and paper copies will be sent to those indicated as non-registered participants on November 15, 2006.

/s/ Matthew M. Lyons
Matthew M. Lyons

12575716.1.LITIGATION